



REF: 53725--12/238

July 6th, 2012

Dear Madam,

We are writing at your request to confirm our understanding that your audit was performed at the request of the UNDP for the purpose of expressing an opinion on the project Statement of Expenses (CDR) for the period 1 January to 31 December 2010 (hereinafter called "financial information") administered by the UNDP.

We confirm that the UNDP has not established separate bank accounts for this project; therefore, you were not required to express an opinion on the Statement of Cash Position.

We confirm that the representations we make in this letter are in accordance with the definitions as set out in Appendix A to this letter.

We confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

General

- 1) We have fulfilled our responsibilities for:
 - a) Preparing financial information.
 - b) Providing you with all relevant information and access to the financial information.
 - c) Designing and operating such internal control as is necessary to enable the prevention, disincentive and detection of fraud or error, including internal control of financial information.
 - d) Ensuring that all transactions have been recorded in the accounting records and are reflected in the financial information.

KPMG
160 Elgin Street, Suite 2000
Ottawa Ontario
K2P 2P8

Internal control over financial reporting

- 2) We have communicated to you all deficiencies in the design and implementation or maintenance of internal control over financial information of which the UNDP is aware.

Fraud & non-compliance with laws and regulations

- 3) We have disclosed to you the results of our assessment of the risks that the amounts disclosed in financial reports may be materially misstated as a result of fraud.
- 4) We have no knowledge of:
 - a) any fraud or suspected fraud that affects the Project and that involves:
 - i) management;
 - ii) employees who have significant roles in the internal control affecting the preparation of amounts disclosed in financial reports; or
 - iii) other persons, where the fraud could have a material effect on the amounts disclosed in financial reports;
 - b) allegations of fraud, or suspected fraud, affecting the Project, communicated by employees, former employees or others;
 - c) all known instances of non-compliance or suspected non-compliance with laws and regulations, including all illegal acts or potentially illegal acts, whose effects should be considered when presenting or adjusting the amounts disclosed in financial reports;
 - d) of communications in which regulators, government authorities or other parties have informed us, concerning our financial information practices, of instances of non-compliance or deficiencies that could have a material effect on the amounts disclosed in financial reports;
 - e) any action by any manager or administrator of the Project or any other person taken by their authority committed fraudulently to mislead, manipulate or influence you, or pressure brought to bear during your audit.

Commitments & contingencies

- 5) We have no knowledge of any material contract liabilities that we have not communicated to you.



- 6) We have no knowledge of actual or possible claims that we have not communicated to you, whether or not such claims have been discussed with our legal advisor.

Subsequent events

- 7) We have no knowledge of events or updated information subsequent to the date on which the financial reports were issued and the date of this letter, for which the relevant financial reporting framework requires adjustment or disclosure in the financial reports and (or) inclusion of complementary information other than the information mentioned in your audit reports.

MISSTATEMENTS

- 8) We understand that you noted a misstatement in the financial information disclosed in the Statement of Expenses (CDR) consisting of local consulting expenses in the amount of US\$28,332 being reported under the “service contracts” category. We understand that the effect of this uncorrected misstatement, as described in the accompanying table, is material, as it does not properly reflect these two expense categories of the CDR.

OTHER MATTERS

- 9) We have been charged, by those charged with governance, with the responsibility to accept and approve the Project’s financial information.

Sincerely,

A handwritten signature in black ink, appearing to read 'Jessica Faieta', written over a horizontal line.

Jessica Faieta
Senior Country Director



Appendix A – Definitions

MATERIALITY

Certain representations in this letter are described as being limited to matters that are material. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial information. Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both.

FRAUD AND ERROR

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of the Project's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorization.

An error is an unintentional misstatement in the financial statements, including the omission of an amount or a disclosure.

Appendix A – Misstatements

Statement of Expenses Audit

| Reclassifications | Amount |
|--|--------|
| Local consulting expenses amounting to US\$28,332 were reported under the “service contracts” category. Therefore, the amounts reported under the “service contracts” category are overstated while amounts reported under the category “local consultants” are understated by US\$28,332. | |
| Net impact | - |